

EXHIBIT 7

EXHIBIT 15

EDMC

Education Management Corporation

Education that Builds Careers

The Admissions

Admissions Performance Plan

Manager Guidelines

(Updated December 2004)

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YOUR LOCAL HUMAN RESOURCES DIRECTOR.**

This guide is intended to assist with the administration of EDMC's Admissions Performance Plan. The Company reserves the right to change, modify or alter any of the plans outlined in this guide at any time without prior notice. Receipt of this guide does not guarantee future employment with the Company.

CONTENTS	2
INTRODUCTION	3
<i>About this Guide.....</i>	3
OUR COMPENSATION PHILOSOPHY	4
<i>EDMC's Expectations</i>	4
ADMISSIONS OFFICE STRUCTURE.....	5
<i>Job Titles.....</i>	6
<i>ADA Career Path</i>	7
ROLES AND RESPONSIBILITIES	9
PERFORMANCE EVALUATION	10
<i>The Review Process.....</i>	10
<i>Talking with Employees About Compensation</i>	10
HOW THE PLAN WORKS.....	11
<i>Calendar of Events.....</i>	12
<i>New Student Points.....</i>	12
<i>New Student Points from Inherited Applicants</i>	13
<i>New Student Points from Inter-School Referrals.....</i>	14
<i>Quality Factors.....</i>	15
<i>ADA/Associate Annualized Salary Chart.....</i>	16
<i>Labor Market Adjustment.....</i>	18
<i>Years of Service.....</i>	19
SALARY CALCULATIONS	21
<i>Changes in Status During the Year</i>	22
<i>Overtime.....</i>	23
<i>Standards of Conduct</i>	24
<i>New Hires.....</i>	24
<i>The First Three Evaluations Under the Plan.....</i>	245
<i>Associate Director of Admissions Management Responsibilities</i>	28
<i>Part-time ADAs</i>	31
COMPENSATION IN SPECIAL CIRCUMSTANCES	32
<i>Employees Who Transfer to a New Location</i>	33
<i>Changes in Employee Status.....</i>	33
GLOSSARY OF TERMS.....	34
APPENDIX	35

All of us at Education Management Corporation (EDMC) take pride in doing our jobs well. Our goal is to deliver superior education for our students, and to help us meet this goal and our business objectives, we must continue to recruit and retain qualified students. Our success in doing so begins with our Admissions staff.

The Admissions Performance Plan is designed to reward performance that helps the Company achieve business results. The plan is for Managing Associate Directors of Admissions, Project Associate Directors of Admissions, and Assistant Directors of Admissions (ADAs) for The Art Institutes. Through the plan, Associates and ADAs are evaluated twice per year based on quality and quantity factors, and their salary will be modified based on this evaluation.

About this Guide

This guide provides an overview of the Admissions Performance Plan. As managers of participating employees, Directors of Admissions (DoAs) will use this guide to administer the plan locally, with assistance from the local President and Human Resources Director (HRD), as well as the appropriate Admissions Specialist(s) and others from EDMC's Central Staff. It is the responsibility of the DoA to ensure that compensation is administered effectively, equitably, and within the scope of the plan.

This guide provides an overview of:

- EDMC's compensation philosophy
- The Admissions Office structure and career paths
- Roles, responsibilities, and timeframes for administering the plan
- How the plan works
- The performance evaluation process

The purpose of this guide is to familiarize managers with the plan. DoAs who need additional information or who have questions should contact the appropriate Admissions Specialist.

Compensation is an important element of the overall rewards available to EDMC employees. These rewards also include a competitive employee benefits program, and career development and advancement opportunities.

EDMC's compensation philosophy is to reward individuals for their contributions to the Company's success. Specifically, the compensation program is designed to:

- Support our overall business strategy for growth
- Align our salary ranges with market trends
- Reflect labor market differences
- Create a compensation program that is easy to understand and administer
- Support our recruiting and retention efforts, consistent with the highest ethical and applicable regulatory standards
- Attract, retain and develop a high caliber of ethical and professional Associates and ADAs

The Admissions Performance Plan is the means by which Associates and ADAs are evaluated on their performance in support of the Company's goals. In addition, the plan provides participants with career enrichment and long-term development opportunities with EDMC.

EDMC's Expectations

The Company expects Associates and ADAs to continually recruit and retain qualified students while adhering to business and ethical standards. Associates, ADAs, and those who manage them also must comply with Company policies and applicable standards of our schools' regulatory bodies at all times. Associate and ADA performance will be rated with respect to both qualitative and quantitative factors, and salaries will be adjusted to reflect the overall performance evaluation. This comprehensive performance focus will be a critical factor in EDMC continuing to be successful in the future.

Because of the critical role each Admissions Office plays in EDMC's overall success, the Company has developed a structure for how these offices are to be organized. Here is an overview of this structure.

The **Director of Admissions (DoA)** serves as the primary recruiting and marketing manager for all local recruitment efforts and Admissions administrative operations. In addition, the DoA serves as a member of the school's Executive Committee (EC) and, therefore, has input and involvement in most matters affecting the school beyond the Admissions Department's functions. The DoA manages or oversees the managers of all recruiting functions, including Associate and Assistant Directors of Admissions; clerical personnel, including Administrative Assistants, Enrollment Processors and Receptionists; Inquiry Processing personnel; Admissions Coordinators; Information Specialists; and others. Some school locations may opt to employ a Second DoA, who typically oversees a specific segment of the Admissions operation. Usually the ADA staff will total 20 or more employees for a Second DoA position to be staffed, but this decision is at the discretion of the President, Group Vice President (GVP) and primary DoA. The second DoA reports directly to the primary DoA, who is ultimately accountable for all Admissions outcomes and functions. The second DoA does not serve on the EC.

There are two types of Associate DoA positions covered by the plan, and these individuals may report to either DoA. The Associate types are:

- **Managing Associate DoA**—Managing Associate DoAs carry a personal performance plan and also serve as the recruitment manager of an assigned team of ADAs. The Managing Associate conducts appropriate training directly and in conjunction with the Training Associate and/or DoA, motivates the members of the team, and follows his or her staff members' conversion and start-rate percentages. The Managing Associate also conducts periodic team meetings and formal monthly performance reviews. (See the Managing Associate job description for further details).
- **Project Associate DoA**—Project Associates carry a personal performance plan and are also accountable for significant assigned functions within the Admissions Department, such as training; event planning and implementation; local marketing (inquiry generation); or other part-time responsibilities. (See the Project Associate job description for further details).

Note: Training Associates do not carry a personal performance plan and are not covered under this plan. They are instead compensated according to the salary range for the Training Associate position. Training Associates provide ongoing training and performance observations for the entire ADA staff, and their efforts are supplemented by those of the Managing Associates and the DoA.

Because training is regarded as the most important and effective recruitment management effort, all Admissions managerial personnel are involved in supporting this effort. Through training, the Company aims to improve ADA performance levels, and to lower turnover by improving job satisfaction (via performance success). Training Associates are not to be used as an extra arm for school committee attendance, reporting, event management, or other non-training functions. If staffed, the Training Associate exclusively supports training efforts. Staffing this position requires the approval of the President, Group Vice President, and Admissions Specialist.

Both Managing and Project Associates are eligible for additional compensation based on their management responsibilities. As stated earlier, Training Associates are not eligible for additional compensation because they are not covered under the Admissions Performance Plan.

All decisions regarding promotions, demotions, or changes in reporting structure for Managing, Project, or Training Associates must be approved in advance by the President and Admissions Specialist, with appropriate input from the Human Resources Director.

The **Assistant Directors of Admissions (ADAs)** are the in-school recruiters who fall into several categories, as assigned by the DoA(s). Some examples are:

- Generic (non-dedicated) – work with all types of inquiries;
- High School – specialize in working with high school senior inquiries;
- General – specialize in working with inquiries who have graduated from high school;
- International – specialize in working with inquiries who need a student visa;
- Program-Specific – specialize in working with inquiries for a specific area of study, such as Culinary Arts, regardless of year of high school graduation; and
- Long Distance or Zone B – specialize in working with prospects who live more than 100 miles from the school at the point of inquiry.

ADAs above who specialize in working certain types of inquiries may be called upon to work other types as the Company's business needs require.

More information on these positions can be found in job descriptions on the Intranet.

Job Titles

For internal purposes, all employees have a functional job title or classification that conforms to this Admissions Office structure and performance plan. This functional job title helps facilitate consistency across the Company.

Admissions employees who were hired before July 1, 2003, and who have a different title they use with the public, may continue to use that title to represent themselves or the Company, for as long as they remain in that position. However, if they are promoted, or if they transfer to another position after that date, their new title must fit within this Admissions Office structure.

All new positions filled after July 1, 2003, must use the approved titles under this structure.

ADA Career Path

EDMC is committed to rewarding, retaining, and extending further opportunities to ADAs who meet or exceed their recruitment plans, and who meet or exceed the Company's expectations with regard to qualitative performance standards. There are many career avenues for successful ADAs to pursue within the organization based upon their skill sets and talents, both within and outside of the Admissions area. Growth within the career—both personally and financially—is key for many people, since most candidates are attracted to the ADA position as a long-term career move. For such individuals, the ADA position is the end to which they aspire, due to its nature as a recruiting position within a guidance role and education framework. Others desire to apply their talents in other avenues and, during their successful years of performance as an ADA, position themselves to branch out through their achievements, knowledge obtained, and demonstrated talent. Many current EDMC managers and directors began their careers in the ADA role, including several EDMC Executive Committee members, school Presidents and Directors of Admissions, as well as Directors of Student Services, Public Relations, and members and leaders of other departments.

The DoA is expected to facilitate ADA career advancement in Admissions with EDMC. ADA candidates for advancement would include those who demonstrate the following:

- Ability to meet or exceed their ADA application and new student plans
- Quality ratings that consistently are at the "Meets Expectations" level or higher
- Initiative, including assisting new ADAs, handling event preparation, and successfully conducting ADA sales meetings assigned by the DoA
- Personal integrity, leadership ability, and problem-solving skills
- Respect of their peers, including those of other departments
- Understanding of the technical aspects of the position, including the student information system, production reports, the recruitment process, the interview structure, and the strategies of the department
- Support of Company policies and procedures and adherence to sound business practices

DoAs also are charged with preparing ADAs who are interested in becoming Associates. The Associate Development Timeline Guide and the Associate Model documents provide the DoA and aspiring ADA with guidelines on specific skills and attitudes to develop. A few principles are listed here as an introduction to those documents:

- Promote the candidate initially as a team leader, giving him or her the responsibility for assisting at least two ADAs within a team; team motivation through meetings; training via observations, including "Gateway to the Future" training interaction; mentoring; and assigning evening and Saturday shifts to team members.
- Assign developmental responsibilities, such as planning and executing a phone-a-thon or other event; a large group sales training meeting; and inter-department committee, training or other involvements.
- Provide introductory training regarding how to manage the activities of the team, time management, effective hiring, training skills, problem resolution, and developing an effective management style.
- Include the candidate in Associate DoA planning or developmental meetings.

Managers are responsible for talking with employees during each evaluation period about their career options both inside and outside Admissions, and EDMC, based on their skills, performance, and interests.

Additional information on the ADA career path is available on the Intranet.

It is important to understand the different responsibilities required to manage the Admissions Performance Plan. The following is a summary of the responsibilities associated with roles within EDMC:

[illegible]

Performance evaluations – face-to-face discussions with employees regarding their qualitative and quantitative results – are a critically important part of the Admissions Performance Plan. Such discussions throughout the year ensure employees focus on the critical factors that contribute to their personal success, which results in EDMC's success. Performance evaluations establish clear expectations and a connection between EDMC, its managers and its employees.

The Review Process

Under the plan, managers conduct formal performance evaluations twice a year, at the end of each evaluation period. These evaluations typically will consist of at least two meetings with each individual employee:

- The first meeting is to review new students, quality factors, career development (including career options both inside and outside Admissions, and EDMC, depending on skills, performance and interest) and performance improvement plans, as warranted. The Performance Evaluation and Planning Form must be completed in preparation for and during this meeting.
- The second meeting is the manager's opportunity to review with each ADA his/her Plan Worksheet, which shows the salary calculation, based on a number of qualitative and quantitative factors, for the compensation that will go into effect shortly thereafter.

In addition, managers will meet with employees on a quarterly basis to review progress and discuss individual development plans.

Talking with Employees About Compensation

As indicated above, during the second meeting the manager will communicate any changes to salary that will take place as a result of performance during the evaluation period. Discussions about compensation should be personalized, based on each employee's individual situation. The manager should conduct these discussions in private, allowing the employee to ask questions. During the discussion, the manager should:

- Discuss the bases for the new salary: new student points, quality factor points, and, as applicable, labor market adjustment, years of service adjustment, and incremental salary for Associate management responsibilities.
- Provide the new salary and effective date
- In cases where the employee's salary is increasing significantly, or decreasing by any degree, engage the employee in a discussion to try to ensure that the ADA will be as well-positioned as possible to handle the salary change responsibly.
- If appropriate, discuss potential compensation associated with career growth going forward.

The fundamentals of the Admissions Performance Plan work the same way for all participants, to ensure that Associate and ADA compensation is standardized and rewards performance against specific qualitative and quantitative objectives.

In summary, ADA salaries under the plan are calculated based on a number of quantitative and qualitative parameters:

- the ADA's qualitative performance, as expressed in the manager's evaluation of defined quality factors,
- the types and quantity of new students recruited over the previous 12 months,
- the ADA's years of service with EDMC,
- as applicable, a labor market adjustment, to accommodate for variances in the cost of labor across North America, and
- incremental salary paid to Associates who manage people or projects.

The new students recruited over the previous 12 months are converted into points (based on the characteristics of the new student), and the point total determines a salary range for a participant. The salary within the range is determined by the manager's evaluation of performance against quality factors. Increments for years of service and labor market differences are applied independently, as described later in this document.

Standard performance evaluations are conducted based on new student results as of the end of April and October, and quality factor evaluations over the previous six months. Salary changes are effective July 1 and January 1. Qualitative performance evaluations must be approved by two other individuals: the School President (or Human Resources Director, at the President's discretion), and the appropriate Admissions Specialist.

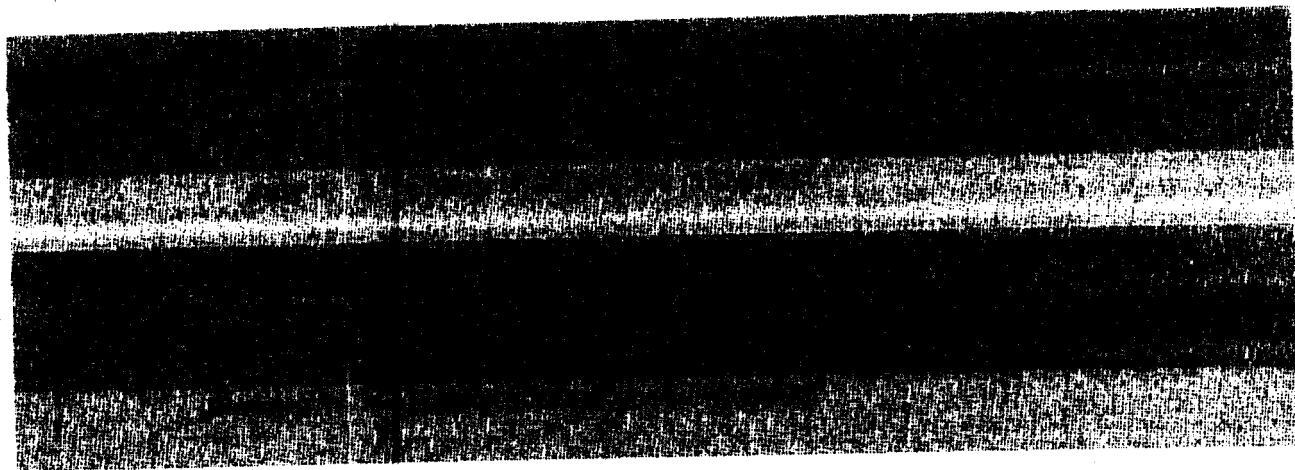
After each performance evaluation, salaries may increase, stay the same, or decrease, based on the results of the evaluation, as described in detail later in this document.

Please note that as part of this plan and based on current law, Associates and ADAs will be eligible for overtime, but must obtain permission in advance to work overtime hours. Managers must assign and approve overtime in a fair and even way, irrespective of an employee's status, dedication, or production expectations. Overtime is not to be approved as a means of rewarding "high-producing" or other types of employees.

More details on how the plan works can be found on the following pages.

Calendar of Events

The following calendar of events provides a general sense of timing for performance evaluations and salary changes under the plan. These evaluations are in addition to the regular quarterly reviews to evaluate performance goals and development plans.



New Student Points

A new student is an individual whose intention is to complete a program of study (i.e., not taking a single course or workshop), and who is considered to have started school by the Registrar's Office as of the end of the add/drop period for the start date. Quarterly data collections of new student results are not considered final, since a new student admitted on a conditional class start agreement who subsequently is rejected for lack of proof of educational credentials will be deducted at a later date.

For the purposes of the semi-annual evaluation, new students over the preceding 12-month period will be considered. For the May/June evaluation, new students from the most recent April, back through the previous May will be considered. For the November/December evaluation, new students from the most recent October, back through the previous November will be considered.

New students for each evaluation period are compiled and converted into points, based on five key pieces of data for each new student, as recorded in the student information system. The data elements are:

- Program code (Undergraduate, Graduate, or CPD)
- Visa code
- Year of high school graduation
- Zone code
- Start date (as indicated by the current session and current year).

Note that new students at The Art Institute Online are handled slightly differently, as indicated in the chart below.

CPD students count as one point regardless of all other criteria. The visa code defines whether a non-CPD new student is international, and supersedes the year of high school graduation and zone code. Non-CPD new students who do not qualify as international are categorized as senior, if they start school no later than the month of May following their graduation from high school. All remaining non-CPD new students who do not qualify as international or senior are categorized as general.

The number of new student points earned by the original ADA or Associate depends on the categorization of the new student and the location, as shown on the chart below.

Type of New Student	Points	
	Zone A	Zone B or C
General	2	3
Senior	3	4
International	3	4
CPD (including AIO)	1	1
AiO General, Senior or International	3	3
Inter-School Referral	1	1

Please refer to the section below, "New Student Points from Inherited Applicants," for additional details regarding new student point values.

As indicated in this chart, Associates and ADAs who work for The Art Institute Online will earn one point for CPD new students and three points for all non-CPD new students.

Note that if the total of all new student points is a one-half point increment, it will be rounded up to the next whole point. For example, a point total of 199.5 will be rounded up to 200.

All employees are required to enter and maintain accurate data in the student information system. Employees who attempt to inflate new student point values through inaccurate data entry or updates will be subject to disciplinary action that may range from disqualifying themselves for a salary increase, up to and including termination.

The new student point values will be reviewed and updated as necessary to ensure they continue to support EDMC's goals and are competitive with the market.

New Student Points from Inherited Applicants

The DoA will re-assign all active applications assigned to ADAs whose employment with the Company is terminated. In addition, to ensure the best level of service to applicants, and the best possible outcome for the school, the DoA also will re-assign the active applications of ADAs who take a temporary leave, for example due to medical reasons or military service.

Applicants who were enrolled by Associates or ADAs who subsequently leave EDMC before the applicant starts school, and/or by employees of the National Recruitment Center (NRC), are considered "inherited applicants." These inherited applicants are to be reassigned by the DoA evenly to remaining Associates or ADAs who have at least six months of service with EDMC, and who are not on corrective action.

For the January 1, 2005 salary calculation, inherited applicants who matriculate are counted at reduced new student point values for the Associate or ADA who inherited the application, as follows:

- Inherited General, Senior or International (all locations, including AiO)—1.5 new student points each
- Inherited CPD (all locations, including AiO)—0.5 new student points each

Effective with the July 1, 2005 salary change date, ADAs will earn full new student point values according to the chart above for inherited applicants who matriculate. This change will apply to all new students in the evaluation period used to calculate salaries as of July 1, 2005, namely Summer and Fall of 2004, and Winter and Spring of 2005.

New Student Points from Inter-School Referrals

Inquiries referred by an Associate or ADA to another EDMC location, according to the guidelines of the Inter-School Referral (ISR) process, will count for one new student point for the sending Associate or ADA, regardless of all other criteria, provided the referred inquiry is a valid ISR who becomes a new student at the receiving school.

Quality Factors

In addition to new student points, each Associate or ADA is evaluated based on the extent to which he or she demonstrates certain quality factors. These factors are a critical part of EDMC's continued success. For the Admissions Performance Plan, the five quality factors are as follows:

Overview of Quality Factors	
Job Knowledge	Adheres to approved recruitment methods and practices. Knows the products. Understands fellow enrollment and education department functions and objectives. Uses the enrollment systems and technology correctly.
Business Practices and Ethics	Demonstrates sound business ethics and business principles in serving prospective students and applicants, including achievement on the Compliance/FAQ test.
Professionalism	Assists prospective students and applicants in a cooperative manner. Willing to assist students assigned to others. Displays a positive attitude in the work environment.
Customer Service	Serves prospective students, applicants and fellow employees in a timely and accurate manner. Works to resolve issues and acts in a consultative sales role in achieving positive customer satisfaction.
Initiative	Evaluates, selects and appropriately acts on various methods and strategies for effectively and appropriately solving problems and meeting objectives before being asked or required to do so. Self-starting rather than passively complying with instructions or assignments.

Managers will rate employees' performance during the previous six months (November through April for the May/June evaluation, or May through October for the November/December evaluation), on each of the above factors, from Outstanding to Unsatisfactory performance. Each rating corresponds to a single-point scale, from 5 to 1 for each factor, and the total of the five individual scores will determine the employee's total quality points, from a high of 25, to a low of 5.

When completing the quality factor points section, managers must bear in mind that an individual category score of 3 and/or a total quality factor points score of 15 means the employee "Meets Expectations." Quality factor point ratings higher than that should be reserved for exceptional employees.

Each participant's quality factor rating must be approved by the Director of Admissions, President (or Human Resources Director, at the President's discretion), and the appropriate Admissions Specialist.

More information on these factors and the associated ratings can be found in the Appendix.

ADA/Associate Annualized Salary Chart

The combination of the total number of new student points and quality factor points determines the participant's annualized salary. (Adjustments may apply to this annualized salary—as applicable—for labor market, years of service and Associate management responsibilities.)

The following chart provides annualized salaries based on new student points and quality factor points.

Annualized Salary Based on Quality Points						
Level	New Student Point Range					
1	0 - 99	\$26,000	\$27,000	\$29,000	\$31,000	\$33,000
2	100 - 125	\$28,500	\$29,500	\$32,000	\$34,000	\$36,000
3	126 - 150	\$31,250	\$32,500	\$35,000	\$37,000	\$39,000
4	151 - 175	\$34,750	\$36,000	\$39,000	\$41,000	\$43,500
5	176 - 200	\$38,500	\$40,000	\$43,000	\$45,500	\$48,000
6	201 - 225	\$42,500	\$44,000	\$47,000	\$49,750	\$52,000
7	226 - 250	\$47,000	\$49,000	\$52,000	\$55,000	\$57,500
8	251 - 275	\$51,500	\$53,500	\$57,000	\$60,000	\$63,000
9	276 - 300	\$56,000	\$58,000	\$62,000	\$65,000	\$68,000
10	301 - 325	\$61,000	\$63,500	\$68,000	\$71,000	\$74,000
11	326 - 350	\$67,000	\$70,000	\$74,000	\$77,000	\$80,500
12	351 - 375	\$73,000	\$76,000	\$80,000	\$84,000	\$87,500
13	376 - 400	\$79,000	\$82,000	\$87,000	\$91,000	\$95,000
14	401 - 425	\$86,000	\$89,000	\$94,000	\$99,000	\$103,000
Add'l levels	25-point increments	Add \$7,000	Add \$7,000	Add \$7,000	Add \$8,000	Add \$8,000

This chart will be reviewed and updated as necessary to ensure it continues to support EDMC's goals, and that salaries are competitive within the marketplace.

Examples of various new student and quality point totals follow, but note that all of them conclude with an annualized baseline salary—the compensation level attained before adjustments are made for length of service, the labor market, and management duties carried out by Associate Directors of Admissions.

Examples of New Student/Quality Factor Annualized Salary:

Example #1: Generic (non-dedicated) ADA

42 general new students in Zone A (2 points each)	84
16 general new students in Zone B (3 points each)	48
24 senior new students in Zone A (3 points each)	72
8 senior new students in Zone B (4 points each)	32
90 total students	
Total new student points	<u>236</u>
Quality points (Needs Improvement)	<u>12</u>
Annualized baseline salary	<u>\$49,000</u>

Example #2: General ADA

90 general new students in Zone A (2 points each)	180
17 senior new students in Zone A (3 points each)	51
5 CPD new students (1 point each)	5
112 total students	
Total new student points	<u>236</u>
Quality points (Meets Expectations)	<u>17</u>
Annualized baseline salary	<u>\$52,000</u>

Example #3: High School ADA

6 general new students in Zone A (2 points each)	12
52 senior new students in Zone A (3 points each)	156
17 senior new students in Zone B (4 points each)	68
75 total students	
Total new student points	<u>236</u>
Quality points (Highly Effective)	<u>21</u>
Annualized baseline salary	<u>\$55,000</u>

Labor Market Adjustment

Not all labor markets are the same. While the intent of the Admissions Performance Plan is to standardize the compensation plan across EDMC and link pay to performance, labor market adjustments will be made as appropriate for employees who live in the same market where their school is located. These labor market adjustments are based on the cost of labor in a geographical area, as determined by The Economic Research Institute data on wage and salary differentials.

Labor Market Adjustments	
Adjustment	Locations
0%	AiA, AiBA, AiCH, AiD, AiFL, AiH, AiMIU, AiO, AiP, AiPX, AiTA, AiV, AiVB
5%	AiC, AiLV, AiM, ILiC, ILiS
10%	AiCASP, AiPD, AiPH, AiTO, AiW, NEiA
15%	AiCALA, AiCAOC, AiCDC, AiNYC, AiS
20%	AiCASF

These adjustments will be reviewed periodically and updated as necessary.

The labor market adjustment to salary is an incremental amount calculated using the appropriate percentage above, and the participant's annualized baseline salary, determined by new student points and quality factor points. It is then added to the annualized baseline salary.

Note that employees who do not live in the same market where their school is located will not receive the labor market adjustment.

Example of Labor Market Adjustment: (NO Years of Service Adjustment)

Total new student points	<u>210</u>
Quality points (Meets Expectations)	<u>13</u>
Annualized baseline salary	<u>\$47,000</u>
Labor Market Adjustment (example: for Chicago market, add in 5% of Annualized baseline salary)	<u>\$2,350</u>
Total Calculated Annualized Salary	<u>\$49,350</u>

Years of Service

Because continuity, knowledge of EDMC, and knowledge of the marketplace all are valued by the Company, additional salary is awarded based on years of service. These years of service do not have to be with the same school, or in the Admissions function, but are with EDMC overall. Service with companies EDMC has acquired also will count for this adjustment.

Employees must have at least two years of continuous service with EDMC to be eligible for this adjustment. Years of service are calculated using complete years, based on the last day of each evaluation period, namely October 31 (toward the January 1 salary change date) or April 30 (for the July 1 salary change date).

For employees of record as of July 1, 2003, who subsequently do not separate from the Company, the years of service calculation is based on total cumulative years from the original hire date, less any time away from the Company due to an official separation.

Following July 1, 2003, the years of service calculation will be based on the employee's adjusted hire date. This means that if an employee leaves EDMC after July 1, 2003, and comes back to the Company, his or her service for this adjustment will be counted from the date he or she rejoined the Company, and not the original date of hire.

The years of service adjustment to the salary is an incremental amount calculated using the appropriate percentage below, and the participant's annualized baseline salary, as determined by new student points and quality factor points.

Completed Years of Service	Adjustment
Less than 2 years	0%
At least 2, but less than 5 years	3%
At least 5, but less than 10 years	5%
At least 10, but less than 15 years	7%
At least 15, but less than 20 years	10%
20 or more years	15%

Examples of Years of Service Adjustment:

January 1, 2005 Salary Change

Annualized baseline salary (from points chart)	\$52,000
Labor market adjustment (for a 10% market)	\$5,200
Years of service adjustment (3%)	\$1,560
Original Hire Date=November 15, 1999	
(4 complete years of service at the end of the evaluation period of October 31, 2004 = 3%)	
Total annualized salary	
(\$52,000 + \$5,200 + \$1,560)	\$58,760

July 1, 2005 Salary Change

Annualized baseline salary (from points chart)	\$52,000
Labor market adjustment (for a 10% market)	\$5,200
Years of service adjustment (5%)	\$2,600
Original Hire Date=March 4, 2000	
(5 years of service as of the end of the evaluation period, April 30, 2005 = 5%)	
Total annualized salary	
(\$52,000 + \$5,200 + \$2,600)	\$59,800

Salary Calculations

Salaries are re-calculated every six months, and take effect based on the employee's specific situation within the Plan.

- The salaries of new hire ADAs take effect on the six- and twelve-month anniversaries of the date they became an ADA, as a result of their first two performance evaluations.
- For all other employees, including new hires as of their third evaluation, the salary changes take effect each July 1 and January 1, following the standard bi-annual performance evaluations.

An employee's re-calculated salary may be higher than, the same as, or lower than the current salary, based on the employee's performance evaluation and the terms of the Plan. The Plan does not apply any limits to the degree to which a salary can increase, but to protect employees from dramatic downward changes in compensation, the Plan does include limits to the degree to which a salary can decrease. Those limits also are based on the results of the employee's performance evaluation.

As part of every standard bi-annual evaluation, all ADAs and Associates will be ranked from highest to lowest, according to the number determined by multiplying their current new student points by their current quality points (the "ranking index"). Based on the total Ai System-wide ADA staffing level (including Associates) at the time of the most recent start, employees will be subject to a maximum salary decrease, if applicable, as described below.

- The top 10% of all ADAs will be protected from any salary decrease for that evaluation period.
- Employees in the top 25%, but not in the top 10% of all ADAs, will be subject to a maximum salary decrease of 5%, if applicable.
- All other ADAs will be subject to a maximum salary decrease of 10%, if applicable.

However, there are two qualifying notes to these salary decrease limits.

- First, ADAs must have earned a minimum quality point rating of 13 – the lowest "Meets Expectations" value – to qualify for either full salary protection or a maximum 5% salary decrease. ADAs who earn a quality point rating of 12 or lower will be subject to salary decreases up to the maximum of 10%.
- Second, Project and Managing Associates who experience demotions to ADA positions do not receive any protection on the decrease of the Associate segment of their salary.

Some examples of how salaries are calculated when decreases apply appear on the next page.

Example #1

ADA Judy earns a current salary of \$88,000. For her October 31 evaluation, Judy earned a quality point rating of 23, and had new student points totaling 271. Multiplying the quality points times the new student points yields a ranking index for Judy of 6,233, which places her at number 29 of 460 active ADAs. While her new student and quality point results (plus years of service and labor market adjustments) calculate to a salary of \$73,710, because Judy is among the top 10% of all ADAs, her salary remains at \$88,000.

Example #2

ADA John earns a current salary of \$68,000. For his April 30 evaluation, John earned a quality point rating of 18, and had new student points totaling 216. Multiplying the quality points times the new student points yields a ranking index for John of 3,888, which places him among the top 25% of all ADAs, but not among the top 10%. (In other words, John ranks among the second 15% of all ADAs.) While John's new student and quality point results (plus years of service and labor market adjustments) calculate to a salary of \$58,600, which is almost a 14% decrease, because he is among the second 15% of all ADAs, his salary decrease is limited to 5%, which calculates to \$64,600.

Example #3

ADA Gretchen earns a current salary of \$51,500. For her October 31 evaluation, Gretchen earned a quality point rating of 18, and had new student points totaling 132. Multiplying the quality points times the new student points yields a ranking index for Gretchen of 2,376, which places her among the bottom 75% of all ADAs. However, while her new student and quality point results (plus years of service and labor market adjustments) calculate to a salary of \$38,650, which is almost a 25% decrease, because the new limit to decreases is 10%, Gretchen's salary calculates to \$46,350.

Example #4

ADA Sam earns a current salary of \$75,000. For his April 30 evaluation, Sam earned a quality point rating of 12 (Needs Improvement) and had new student points totaling 318. Multiplying the quality points times the new student points yields a ranking index for Sam of 3,816, which places him among the top 25% of all ADAs, but not among the top 10%. In this case, a normal maximum decrease would be 5%; however, because Sam earned lower than "Meets Expectations" quality point results, his salary is limited to a 10% salary decrease. Sam's new student and quality point results (plus years of service and labor market adjustments) calculate to a salary of \$63,500, which is a 15% decrease, but Sam's salary calculates to a maximum 10% decrease, or \$67,500.

Changes in Status During the Year

While changes in status (promotions and demotions) can occur at any time during the year, salaries for employees covered by this plan can change only on specific dates. (For most employees those dates are July 1 and January 1, as a result of bi-annual performance evaluations; for new hires those dates are the employee's six-month and twelve-month anniversaries.)

In short, managers need to carefully consider the timing of promotions and demotions, since they do not have the ability to make salary changes except as outlined in the Plan.

Employees at their six- and twelve-month reviews can be promoted to Associate status and receive an incremental salary adjustment for management responsibilities, as designated by the DoA, President, and/or HRD, provided that increment is approved by the appropriate Admissions Specialist and CS staff.

More information on changes in status can be found in the Employee Handbook.

Overtime

Under the Fair Labor Standards Act (FLSA), Associate and Assistant Directors of Admissions are considered non-exempt positions. This means they are eligible for overtime for all hours worked in excess of 40 hours in a work week. Associates and ADAs will receive 1.5 times their hourly rate of pay for all hours worked in excess of 40 hours in a work week.

Special overtime rules apply for employees in California, in accordance with state laws. Contact the local Human Resources Director for more information.

All overtime worked by non-exempt employees must be approved in advance and authorized by the manager. Scheduled overtime is deemed pre-approved overtime. Unauthorized overtime is against Company policy and employees who violate this policy are subject to discipline.

Managers must assign and approve overtime in a fair and even way, irrespective of an employee's status, dedication, or production expectations. Overtime is not to be approved as a means of rewarding high-producing employees. Managers who violate this policy will be subject to disciplinary action.

The Company reserves the right to change overtime requirements at any time as permitted by the FLSA.

Standards of Conduct

This plan provides for additional rules and regulations regarding performance and compensation. It is intended to augment—not to replace—existing workplace policies. While reductions in salary are one possible outcome of poor performance, the Company retains the right to take other disciplinary actions as appropriate and, as described in part below, in the general Standards of Conduct.

Since the proper working relationship of all employees depends upon each of us, the Company has established certain minimum standards of personal conduct. These "common sense" guidelines are included here for those who, through lack of understanding or experience, could experience difficulties. Examples of impermissible conduct that may lead to disciplinary action (up to and including termination) are identified below, to promote an understanding of what is considered unacceptable conduct and to encourage consistent action by the Company.

- excessive or unexcused absenteeism and tardiness
- theft
- use or possession of illegal drugs or alcohol or other violations of our Drug Prevention policy
- unsafe acts
- carelessness or negligence
- harassment, including sexual harassment
- failure to comply with a lawful management directive, and
- unsatisfactory performance.

Admissions employees, including Project Associates and Managing Associates, are subject to additional standards of conduct that are specific to their type of work, and any of the following actions may lead to the imposition of discipline, up to and including termination.

- written or spoken misrepresentation of the school, its facilities, its programs, and/or career outcomes
- non-compliance with state or federal rules, and
- non-compliance with regional or national accreditation standards.

The preceding lists are not meant to be exhaustive, but are only a representative sample of prohibited behavior. As noted previously, all employees are employed at-will. Just as the Company can terminate any employee at any time with or without cause or notice, any employee can resign with or without cause or notice.

New Hires

The plan is designed to encourage new hires to develop into highly proficient Admissions professionals. All new hires will have an Introductory period of six months. At the end of this six-month period, they will have performance evaluations based on the quality factors included in this plan, and they will be eligible for a salary adjustment based on these evaluations. Subsequent evaluations are carried out according to the Admissions Performance Plan, as described below.

New Hire Starting Salaries

Starting salaries for new ADAs or Associates who join EDMC from another organization should be based on their relevant experience and education. Directors of Admissions must use the following chart in setting salary for these new hires:

Relevant Sales Experience	0-1 Year	2-4 Years	5-9 Years	10+ Years
No Bachelor's Degree	Up to \$33,000	Up to \$37,000	Up to \$41,000	Up to \$45,000
Bachelor's Degree	Up to \$36,000	Up to \$40,000	Up to \$44,000	Up to \$48,000
Master's Degree	Up to \$39,000	Up to \$43,000	Up to \$47,000	Up to \$51,000
A labor market adjustment may be applied to the base salary as appropriate. Current income verification (W2, tax return, or salary stub) will be required from the candidate if the salary offered exceeds the chart amount.				

In some circumstances, it may be desirable to hire a new employee as a Managing Associate or Project Associate. However, these new hire Associates do not earn any actual salary increments until they are fully transitioned to the Plan, i.e., when their baseline salary is determined by their own new student and quality points.

As part of the hiring process, it is very important that the DoA explain this plan to the new employee, including working through an exercise that explains the Company's expectations of the employee, both qualitatively and quantitatively, over the first 18-24 months. The objectives of the explanation and the exercise are to ensure that the new ADA understands the connections between performance and compensation, and for the DoA to ensure that the Company's expectations for the ADA are such that the employee will be able to avoid salary decreases, as well as have the opportunity to earn salary increases. For additional assistance with this process, the DoA should consult his/her Admissions Specialist and/or CS Marketing & Admissions.

The First Three Evaluations Under the Plan

The following descriptions outline the process steps for the first three evaluations under the Performance Plan. *Note that the DoA is responsible for initiating both 6- and 12-month evaluations for ADAs/Associates.*

First Evaluation:

Six months after hire, the manager will evaluate the performance of the new Associate or ADA using the quality factors included in this plan. The employee may receive a salary increase based on this review, as follows:

- Up to 12 quality points – no salary increase
- 13 to 17 quality points – 3% salary increase
- 18 to 22 quality points – 4.5% salary increase
- 23 or more quality points – 6% salary increase

No other salary change(s) is/are permitted prior to the employee's six-month evaluation.

The evaluation process works as follows:

Step 1: Once the DoA has determined quality factor ratings for the employee, he/she needs to discuss them with the Admissions Specialist as well as the President or Human Resources Director.

Step 2: As close as possible to the six-month anniversary of the date the employee became an ADA, the DoA should meet with the employee to review his/her performance, using the Quality Point Evaluation Form (a copy of which is included within the Appendix). During that meeting the DoA should reference the Quality Factors chart that outlines the behaviors associated with the various rating levels, so the ADA understands his/her current level of performance, as well as what s/he needs to do to improve.

Step 3: The DoA will submit the final quality point ratings via e-mail to 'mgroupp@edmc.edu,' copying the Admissions Specialist as well as the President or Human Resources Director. In the e-mail, provide the quality point ratings for the employee in each individual category, and not just a total. (For best possible response and turn-around time, DoAs should use a consistent identifying format for the e-mail subject, such as "Six-Month Eval for Johnson @ AiX").

Step 4: CS Marketing & Admissions will prepare and return to the DoA a completed Worksheet using the format of the attached sample. (See Appendix for a sample of the 6-month Salary & Performance Worksheet).

Step 5: The DoA will review the Worksheet with the employee, get the necessary signatures, make a copy for the employee, and process the salary increase, if applicable, through the local human resources department.

The six-month evaluation is based on the date the employee assumed the position of ADA, which usually is the employee's hire date. (It is not the date the ADA "went on production.") In cases where an existing employee moved from a previous job into the ADA role, the date they became an ADA will be different from their hire date with the Company.

Note that the Labor Market and Years of Service Adjustments do *not* apply at the six-month evaluation. Those are factored in only when the employee's salary is calculated based on the combination of new student points and quality points.

Second Evaluation:

Twelve months after hire, the manager will again evaluate the Associate or ADA using the quality factors included in this plan. The manager also will request that CS develop a new student point tally for the employee, based on new students over the twelve months since the employee's start date as an ADA. (Note: In some cases those twelve months may not include the last four start dates, due to the employee's hire date.)

At this evaluation the employee will receive the greater salary of the following two calculations:

- The salary determined by quality points alone, based on the following percentages:
 - Up to 12 quality points – no salary increase
 - 13 to 17 quality points – 3% salary increase
 - 18 to 22 quality points – 4.5% salary increase
 - 23 or more quality points – 6% salary increase, or
- The salary determined by the standard Plan calculation, using new student points and quality points, and any applicable labor market adjustment. In the case of an Associate, the 12-month evaluation also would incorporate the incremental salary dollars for managing ADAs.

The 12-month evaluation process follows the same steps outlined above for the six-month evaluation.

Third Evaluation:

The participant's third performance evaluation will occur at least six months following the 12-month evaluation, at the point of the regular bi-annual cycle. At this time, the ADA/Associate is reviewed fully under the terms of the plan. The timing of the third evaluation is determined by the ADA's hire date as illustrated on the chart below:

Evaluation Schedule					
Hire Date	First Eval	Second Eval	Third Eval	Fourth Eval	Fifth Eval
New Hire	6 months after hire: <ul style="list-style-type: none"> A percentage increase based on quality points (according to guidelines above) 	12 months after hire: <p>The higher of:</p> <ul style="list-style-type: none"> A percentage increase based on quality points (according to the guidelines above), or Based on plan 	Next July 1 or January 1 that is at least 18 months after hire date: <ul style="list-style-type: none"> Based on plan 	Based on plan	Based on plan

Note that certain exceptions apply to this evaluation schedule:

- (1.) ADAs and Associates employed by start-up locations will be protected from salary reductions for a period of two years from the date the Admissions Office opens. New employees hired after the Admissions Office opens are protected until the two-year anniversary date of the office opening, not for two years from their hire date.
- (2.) ADAs and Associates hired during the months of July-December whose total inquiry flow from the date of hire through the third evaluation is made up of at least 65% seniors will receive a six-month extension of salary protection, if needed.
- (3.) ADAs and Associates who transfer to a new location will be handled as Special Circumstances.

Associate Director of Admissions Management Responsibilities

Associate DoAs are eligible for additional compensation based on their management responsibilities. This applies if they manage people or projects, as follows:

- **Project Associates** are responsible for managing activities, such as training, events, local marketing, administrative support or other areas as determined by the DoA, President and Admissions Specialist. Project Associates receive a \$3,000 increment to their annualized salary for the management responsibilities they are assigned as of the beginning of the evaluation period.
- **Managing Associates** are directly responsible for the performance of the ADAs assigned to them. These individuals receive one or two separate salary increments, as follows:
 - Every Managing Associate receives \$1,000 for each ADA assigned to him/her, as of the beginning of the evaluation period (May 1 or November 1), up to a maximum of five ADAs, and a \$5,000 increment.
 - Managing Associates with six or more months of service in that position also will receive an additional increment, based on the combined salaries of the ADAs assigned to the Managing Associate as of the end of the evaluation period (either April 30 or October 31), again up to a maximum of five ADAs. After the new annualized salaries of the assigned ADAs have been calculated under this plan, the Managing Associate will earn 4% of the total annualized salaries.

It is important to note that the two salary increments above are set based on reported supervisory relationships at two different points in time: the beginning of the evaluation period, and the end. While acknowledging that ADA turnover is almost inevitable, and that one of the key responsibilities of the Managing Associate is to control such turnover, it also is important that the DoA do his/her best to maintain Managing Associate responsibilities as equitably as possible.

For example, since a Managing Associate begins each evaluation period being compensated for managing "X" number of ADAs, it is important that the DoA watch that staffing level and adjust accordingly as necessary. If a Managing Associate loses one team member, the DoA – if possible – should replace that team member, preferably without affecting the staffing of another Managing Associate.

When reporting Managing Associate staffing assignments as of the end of the evaluation period, the DoA must consider the Associate's impact on the ADA's results. This impact usually, but not always, is determined by the amount of time the Managing Associate had to work with the ADA. In cases where a Managing Associate lost a team member late in the evaluation period, and had little chance to work with the replacement ADA, the DoA has the option of not reporting the new ADA as a member of the Associate's team. On the other hand, replacements hired months before the end of the evaluation period would be included on the team as of the end of the evaluation period, even though they were not part of the Associate's team as of the beginning of the evaluation period.

DoAs who are not certain how to proceed with this aspect of the plan – the assignment of ADAs to Managing Associates – should consult with their President and/or HRD, and/or the appropriate Admissions Specialist and/or other CS Staff.

In all cases assignment of ADAs to Managing Associates must be done in a fair and equitable manner, based on consistent methods that take into consideration factors such as ADA tenure, experience, new student plan/expectations, dedication or specialization, and past quality factor ratings. DoAs are not required to assign ADAs who require little or no supervision to an Associate's team, just because such teams exist.

As is the case with quality factor points, the assignment of MA teams must be approved by the President and/or HRD, as well as the appropriate Admissions Specialist.

Note that Managing and Project Associates are not eligible to earn any salary increments until their own baseline salary is determined by the combination of their new student points, quality factors, labor market adjustment (if applicable) and years of service (if applicable).

In addition, while changes in status (promotions and demotions) for Associates can occur at any time during the year, their salaries can change only on specific dates, as a result of bi-annual performance evaluations. The only exception to this policy for Associates concerns situations where an employee transfers from one Ai location to another.

Examples of Determining Associate Salary

Salary is calculated under the plan as follows:

1. New student points and quality factor points determine the annualized baseline salary according to the chart.
2. A labor market adjustment is calculated, if applicable.
3. A years of service adjustment is calculated, if applicable.
4. The labor market and years of service increments are added to the baseline salary to determine the ADA's total annualized salary.
5. Adjustments for Project or Managing Associates are calculated and added to the total annualized salary.

The following examples illustrate how an employee's annualized salary is calculated under the plan. (These examples do not include labor market adjustments, which vary from location to location.)

Example #1:

Project Associate with 255 new student points, 15 quality factor points (Meets Expectations) and 6 years of service...

<i>New student/quality points annualized salary</i>	<i>\$57,000</i>
<i>Years of service adjustment</i> <i>(5% x \$57,000)</i>	<i>\$2,850</i>
<i>Project Associate adjustment</i>	<i><u>\$3,000</u></i>
<i>Annualized salary</i>	<i><u>\$62,850</u></i>

Example #2:

Managing Associate managing 4 ADAs over next six months...

<i>1. New student/ quality points annualized salary, with labor market and years of service adjustments</i>	<i>\$67,000</i>
<i>2. Managing associate increment for the next 6 months</i> <i>4 ADAs (4 ADAs @ \$1,000/each)</i>	<i><u>\$4,000</u></i>
<i>3. 4% of the 4 ADA combined new salaries as detailed below (4% of \$190,000=\$7,600)</i> <i>ADA #1 = \$40,000 (new salary)</i> <i>ADA #2 = \$45,000 (new salary)</i> <i>ADA #3 = \$50,000 (new salary)</i> <i>ADA#4 = \$55,000 (new salary)</i>	<i><u>\$7,600</u></i>
<i>Total annualized salary</i>	<i><u>\$78,600</u></i>

Part-time ADAs

Part-time employees are subject to the same quantitative and qualitative evaluations as full-time employees under the plan. New student points will be pro-rated to the full-time equivalent based on the number of hours worked over the past 12 months. The pro-rated new student points and quality factors are then used to determine the annualized salary. From the annualized salary, an hourly pay rate is calculated, as shown in the example below. This hourly pay rate will be applied to the hours worked by the part-time employee.

Part-time employees are also eligible for labor market and years of service adjustments, which are applied to the prorated salary calculation.

Example:

- A part-time employee who worked 1,560 hours during the previous 52 weeks worked an average of 30 hours per week, and earned 150 new student points and 14 quality factor points.
- The pro-rated full-time equivalent performance is 200 points (150 new student points/30 hours X 40 hours).
- 200 new student points and 14 quality factor points = \$43,000 full-time annualized salary. (Labor Market and/or Years of Service adjustments would be applied at this point.)
- The ADA's new hourly rate = \$20.67 ($\$43,000 / [40 \text{ hours} \times 52 \text{ weeks}]$)

Due to the nature of the work involved both with the Project Associate and Managing Associate positions, the plan does not recommend part-time employees in these positions.

Compensation in Special Circumstances

No compensation plan can anticipate and accommodate every possible set of circumstances that an employee might encounter. While the Company expects all employees to do their best to work through typical day-to-day challenges, we also acknowledge that some circumstances create a situation that is beyond the employee's control, and which negatively impacts the employee's ability to fully carry out his/her responsibilities.

This plan accommodates such special circumstances through an expanded evaluation process. The objective of this process is to determine what an ADA's or Associate's results would have been had they not been in the situation caused by the special circumstances that are beyond their control. The evaluation is carried out through a series of steps to estimate the impact of the situation, based on past results of the ADA/Associate and/or school, and then to develop a recommendation that equitably addresses the employee's salary situation in light of his/her special circumstances.

For example, in terms of the quantitative evaluation, it might be appropriate to consider past results to estimate lost production. Metrics such as application flow, application volume, and application distribution among start dates, along with start rate history, can be used to estimate lost new student production. From that number, based on average points per new student, it might be possible to estimate lost new student points, and the impact on the ADA's salary calculation.

Grounds for the school initiating such a request might include, but are not limited to the following:

- employees who transfer to another school
- employees whose status is changing from part-time to full-time, or vice-versa
- employees who have undergone a major life change, such as a death or major illness of a family member, or a divorce or other family situation
- acts of God/natural disasters that negatively impacted the ability of all ADAs at that school to recruit new students during the evaluation period
- specific market conditions that negatively impacted the ability of all ADAs at that school to recruit a sufficient volume of new students, including significant shifts in inquiry flow

Requests for consideration due to Special Circumstances always are initiated by school management, but only in cases where the situation has been discussed at the school, and there is unanimous agreement among the DoA, President, and HRD that such a request is warranted.

Once the request for consideration due to Special Circumstances has been filed, using the form included as an Appendix to this document, CS personnel will evaluate the circumstances as described above and propose a resolution. In cases where school management and CS cannot reach a resolution that is acceptable to all, the EDMC President/COO will evaluate the situation based on all available and applicable information, and render a final judgment.

While maintaining the employee's current salary might be an option in these cases, it is important to point out that a request for consideration due to special circumstances does not automatically grant the employee "full protection" against a salary decrease. Furthermore, it is important for managers to monitor and maintain control of these cases to guard against rewarding employees who take undue advantage of these situations.

Re-Assigning Applications During ADA/Associate Leaves of Absence

In the interests of the prospective students, and of EDMC, all active applications assigned to ADAs who take a leave of absence must be re-assigned to other ADAs to ensure the best possible follow-up and start rate of these applicants. As stated earlier in this document, these inherited applicants are to be reassigned by the DoA evenly among the active Associates and ADAs who have at least six months of service with EDMC, and who are not on corrective action.

Employees Who Transfer to a New Location

In situations where an ADA may be deciding to transfer to another location, both the "sending" and "receiving" schools should initiate discussions with CS personnel, as well as with local HR staff, to ensure that the ADA understands all the ramifications of such a transfer (i.e., the potential loss of new student points, changes in the labor market adjustment and changes in Associate compensation due to a title or team change). All arrangements under this plan must be agreed-upon by all parties before such transfers take place.

Changes in Employee Status

In situations where an ADA may be deciding to make a change in his/her status, both the "sending" and "receiving" schools should initiate discussions with CS personnel, as well as with local HR staff, to ensure that the ADA understands all the ramifications of such a change (i.e., the potential loss of new student points and changes in Associate compensation due to a title or team change).

[REDACTED]

Fair Labor Standards Act (FLSA) – This federal labor law established minimum wage and overtime compensation (1.5 times an employee's regular hourly rate of pay for hours worked over 40 in one week). Special rules apply to employees in California, in accordance with state laws.

Labor market adjustment – This is an adjustment made to salary for participants in some locations. It recognizes that the cost of labor in these locations may be higher than in other areas of the country.

New student points – The number of new students recruited over the past 12 months will be converted into points, based on the type of student. The total points—along with quality factor points—will determine a participant's salary within a range.

Non-exempt – A term defined by the FLSA. Associates and ADAs are classified as non-exempt positions, which means they are subject to the overtime provisions of the FLSA.

Overtime – The practice of paying non-exempt or hourly employees 1.5 times their regular hourly rate of pay for hours worked over 40 in one week.

Quality factors – Managers evaluate employees twice per year on their performance against five quality factors: job knowledge, business practices and ethics, professionalism, customer service and initiative.

Years of service adjustment – Under the plan, participants receive an adjustment to their salary based on total completed years of service with EDMC (including service with eligible acquired companies).